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Honorable Lamar Smith
House of Representatives
422 Cannon House Office Building
Washington, DC 20515

Dear Congressman Smith:

Thank you for your letter expressing concern about how our new cable regulations may affect small cable systems.

On August 10, 1993, the Commission granted a temporary stay of the rate regulations for small systems with 1,000 or fewer subscribers (see enclosure) and initiated a Further Notice of Proposed Rule Making to examine the burdens on small cable systems. Our customer service standards are also under reconsideration.

Your comments will be placed in the record of these proceedings, and I assure you that they will receive careful attention.

Sincerely,

James H. Quello
Chairman

Enclosure

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Congress of the United States

House of Representatives

August 25, 1993

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The Honorable James H. Quello
Chairman
Federal Communications Commission
1919 M Street, N.W., Room 802
Washington, D.C. 20554

Dear Chairman Quello:

I am writing to ask your help in alleviating the unnecessary burdens on small cable operators resulting from the Commission's recently published regulations.

Section 623(i) of the Cable Act "requires that the Commission develop and prescribe cable rate regulations that reduce the administrative burdens and cost of compliance for cable systems that have 1,000 or fewer subscribers." This provision was included in the Cable Act in an effort to protect small cable operators from excessive administrative burdens.

However, the FCC's proposed regulations impose virtually the same requirements on small system operations that are imposed on larger systems. These regulations that are very complex and time consuming put the majority of small cable systems at a disadvantage and may jeopardize their very existence. Such small systems simply lack the human and financial resources to bear the burden of regulations that require the services of a professional accountant and place severe restrictions on their ability to recover costs.

I am requesting that the Commission take a number of steps to ease the regulatory burden imposed on small cable systems, thereby assuring existing service to subscribers in rural or semi-rural areas. Specifically, we urge the Commission:

- o Permit rate regulation based on a simplified net income analysis that would be easier to calculate and apply than the benchmark approach.
- o Allow small operators to set rates up to the benchmark cap.

PLEASE REPLY TO:

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- o Allow small operators to set rates, taking into consideration costs associated with the expansion and providing new services when setting such rates.
- o Permit systems to base rates on the bundling of service and equipment charges.
- o Clarify that small operators are not required to maintain local offices in each service area community, unless the population density of the community justifies maintaining such a local office.

I am confident that these actions will accomplish the intent of Section 623(i) of the Cable Act and at the same time maintain the Act's consumer safeguards. Thank you for your consideration of this matter and I look forward to hearing from you soon.

Sincerely,

A handwritten signature in cursive script that reads "Lamar Smith".

Lamar Smith
Member of Congress